Finance and Policy Committee

Date: **21 January 2016**

Item: **New Routemasters**

This paper will be considered in private

Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL.

1 Summary

1.1 This paper contains supplementary information to the New Routemasters (NRMs) paper being considered on Part 1 of the agenda.

2 Financial Implications

ST-PJ366	**30 New Routemasters**				
	Existing Financial Authority	EFC	Existing Project Authority	Additional Authority Requested	Total Project Authority
Project	£290.8m	£300.6m	£290.8m	£9.8m	£300.6m
Operation	£13.3m	£15.0m	n/a	n/a	n/a
Total	£304.1m	£315.6m			

2.1 The additional Project Authority requested is £9.8m of unbudgeted expenditure for the buses. This in an increase to the current project scope, increasing total Project Authority to £300.6m.

2.2 Financial and Procurement Authority of a further £1.7m is also requested for iBus screens, ticket readers, additional operator costs (including CCTV and telematics and fuelling equipment), early termination of existing vehicle leases and provision for a mid-life refurbishment making a total of £11.5m. This takes the total Financial Authority from £304m to £315.6m.

2.3 TfL officers have secured a final unit cost from Wrightbus together with improvements in the vehicle specification. Vehicle specifications for the additional NRMs will be the same as the additional 200 agreed in November 2014, with the exception of new Microvast batteries, with improved operational performance, and opening windows on both decks. Even though a unit price has been settled, subject to approval, negotiations are still ongoing with regard to other aspects of the requirements.

2.4 By placing an order now, TfL will secure the headline price of £325k per vehicle, which represents a discount compared to the £349.5k per vehicle for buses 605-805. This price will only be available if a continuous production line can be maintained. As part of the commercial agreement, a discount on spare parts and resolution of other outstanding issues is also currently being explored.

2.5 The current 2014 TfL Business Plan has no funding for further purchases, beyond the 805 currently committed.

2.6 As part of TfL's capital reprioritisation, following the Government Spending Review, consideration will be given to further expansion of the NRM fleet by a further 165 vehicles, thus completing the original contract with Wrightbus of up to 1,000 vehicles. This process will conclude in February 2016, ahead of Board reviewing the 2016/17 TfL Budget in March and an update will be provided at the meeting together with any request for approval to make a further recommendation to the Board.

2.7 A refresh of the business case is taking place in parallel.

Costs and Funding	Current authority	2016/17	17/18-31/32	Total 16/17-21/22	Total 16/17-31/32	EFC
Capital cost purchase of NRMs (£325k per bus)		(9.8)	0.0	(9.8)	(9.8)	
Project Authority	(290.8)	(9.8)	0.0	(9.8)	(9.8)	(300.6)
Ticketing and iBus equipment	(5.7)	(0.4)	0.0	(0.4)	(0.4)	(6.1)
Operator additional costs (£7k per bus)	n/a	(0.2)	0.0	(0.2)	(0.2)	(0.2)
Cascade write-off costs (average £20k per bus)	(2.0)	(0.6)	0.0	(0.6)	(0.6)	(2.6)
Mid life refurbishment costs (£18k per bus)	(5.6)	0.0	(0.5)	0.0	(0.5)	(6.1)
Total Procurement and Financial Authority (inc Project Authority)	(304.1)	(1.2)	(0.5)	(11.0)	(11.5)	(315.6)
Battery renewal (£26k per bus, every 3 years)	n/a	0.0	(3.1)	(0.8)	(3.1)	n/a
Other vehicle running costs (£8k per bus pa)	n/a	0.0	(4.3)	(1.2)	(4.3)	n/a
Ownership savings (£32k per bus pa) - 1st term	n/a	0.0	6.4	4.6	6.4	n/a
Ownership savings (£15k per bus pa) - remaining life	n/a	0.0	5.0	0.0	5.0	n/a
Hybrids premium savings (£5k-10.4k p.a. per bus)	n/a	0.0	2.0	1.7	2.0	n/a
Net Savings to Bus oprtating Contracts	n/a	0.0	6.0	4.4	6.0	n/a
Estimated Final Cost	n/a	(11.0)	5.5	(6.6)	(5.5)	n/a

List of appendices to this paper:

Appendix 1: Detailed breakdown of costs and phasing

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Appendix 1

Appendix 1 - Detailed breakdown of costs and phasing

30 Additional NRM costs (incl inflation)	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	Total to 31/32	Total to 21/22
Purchase (£325k per bus)	(9.8)																(9.8)	(9.8)
Project Authority	(9.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(9.8)	(9.8)
Ticketing and iBus equipment	(0.4)																(0.4)	(0.4)
Operator additional costs (£7k per bus)	(0.2)																(0.2)	(0.2)
Cascade write-off costs (average £20k per bus)	(0.6)																(0.6)	(0.6)
Mid life refurbishment costs (£18k per bus)								(0.5)									(0.5)	0.0
Total Procurement and Financial Authority	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.7)	(1.2)
Battery renewal (£26k per bus, every 3 years)				(0.8)			(0.8)			(0.8)			(0.8)				(3.1)	(0.8)
Other vehicle running costs (£8k per bus pa)		(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.2)	(4.3)	(1.2)
Ownership savings (£32k per bus pa) - 1st term		0.5	1.0	1.0	1.1	1.1	1.1	0.6									6.4	4.6
Ownership savings (£15k per bus pa) - remaining life								0.3	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.4	5.0	0.0
Hybrids premium savings (£5k-10.4k p.a. per bus)		0.3	0.3	0.3	0.3	0.4	0.4	0.0									2.0	1.7
Net Savings to Bus oprtating Contracts	0.0	0.7	1.1	0.3	1.1	1.2	0.4	0.6	0.3	(0.5)	0.3	0.3	(0.5)	0.3	0.3	0.2	6.0	4.4
Estimated Final Costs	(11.0)	0.7	1.1	0.3	1.1	1.2	0.4	0.0	0.3	(0.5)	0.3	0.3	(0.5)	0.3	0.3	0.2	(5.5)	(6.6)

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